

HOUSING MARKET OUTLOOK

Barrie CMA



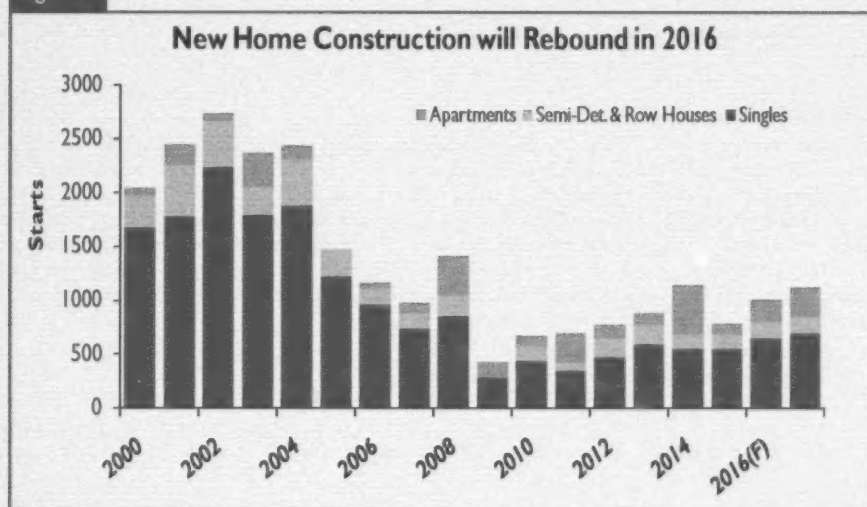
CANADA MORTGAGE AND HOUSING CORPORATION

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Highlights:

- Housing starts will rebound in 2016, following a sharp drop in 2015.
- Single-detached starts are expected to grow strongly in 2016 and 2017.
- MLS® sales growth will pick up in 2015 and moderate in 2016.
- Vacant rental units will increase as supply increases and some first-time buyers will move to their completed condominiums.
- Migration from the Greater Toronto Area (GTA) will continue to support demand for homes in Barrie.

Figure 1



Source: CMHC; F=forecasts

The forecasts and historical data included in this document reflect information available as of September 29, 2015.

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New Home Construction on a Rollercoaster

Total housing starts in the Barrie Census Metropolitan Area (CMA) will gain momentum in 2016 when they are forecast to increase to 1,010 units. This trend will continue in 2017, but at a slower pace. Demand for new homes will be strong through 2017 supported by in-migration and additional land for residential construction.

Starts declined in the first three quarters of 2015. The high level of apartments already under construction, 280 units at the end of August, meant none of apartments were started in this period. However, unsold inventories of all dwelling types are very low, which will encourage more starts as units under construction are completed. In 2015, starts will drop by 31 per cent from 2014, mainly due to the decline in starts of apartments. Single-detached starts, which have shifted for the most part from the City of Barrie to Innisfil, will be steady. Total starts are expected to rebound in 2016 and grow again in 2017 because of the expected opening of the annexed land for development in the second half of 2016. The launching of the five towers on the Barrie waterfront will also add to starts and will occur in the next two years. More than 2000 potential buyers have already registered for these projects. Builders are expected to proceed with their projects as soon as the annexed land is open for development.

Housing demand is driven by low mortgage rates and household formation. The Barrie housing market attracts buyers from surrounding areas. About 900 new households will be formed every year over to 2017, an annual increase of one per cent.

Although employment growth in Barrie will only be modest, this will have a minimal impact on total housing starts. A large part of demand comes from potential buyers migrating from south of the Barrie CMA who have already a job and a strong credit history. For most of 2016, Innisfil will be the beneficiary of the limitation of the land for construction in the City of Barrie. Innisfil will lead in the number of starts until the annexed land is ready for development.

Median and average prices for new single-detached homes in the Barrie CMA have jumped throughout 2015 because many newly-built homes are in the high-end category with prices of \$450,000 and higher. Since the scarcity of land will continue through 2016, builders will continue to focus on high-end homes and prices will grow although at less than the rate of inflation. This trend will wane by 2017 when more new developments will open for construction and developers

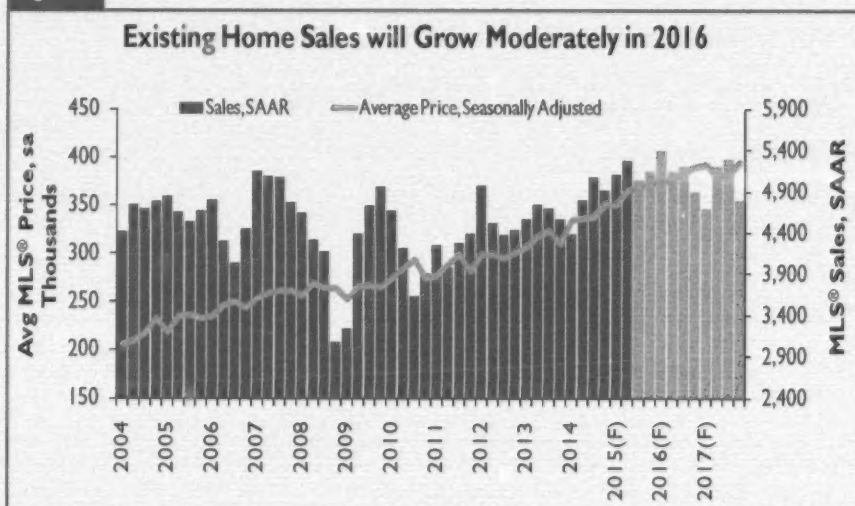
will shift to homes with mass appeal at lower price points.

Resale Market

Sales of existing homes have been strong in recent years and have risen throughout 2015, supported by the demand spill-over from the GTA. This upward trend should continue in 2016, but at a slower pace. The growth in the average MLS® price will continue to be strong in 2016, but with mortgage rates starting to gradually rise over the next few years, both sales and average price growth will slow.

Barrie is growing and benefiting from its proximity to the GTA. Net migration will continue to be a key driver of the resale market. More buyers should therefore be expected on the MLS® resale market, but the increase in sales will be tempered as prices rise. With the decline of housing affordability for buyers in

Figure 2



Source: CMHC, adapted from CREA (MLS®)

*Quarterly sales data are seasonally adjusted and multiplied by 4 to show an annual rate. Price data are adjusted for seasonal factors.

MLS® is a registered trademark of the Canadian Real Estate Association (CREA).

the GTA and the decrease of energy prices, many buyers from the GTA motivated by the continuous low mortgage rates, will consider a longer commute to buy the home type they prefer. With less than an hour drive, the availability of the GO train and the proximity to the cottage area, Barrie is positioned as the best option for many buyers. Indeed, both baby boomers and young families will continue to relocate to Barrie, looking for houses such as single-detached homes and bungalows. The improving economy in the United States will support employment, particularly in the manufacturing sector. This will ultimately support consumer confidence and encourage consumers to spend more and invest in real estate.

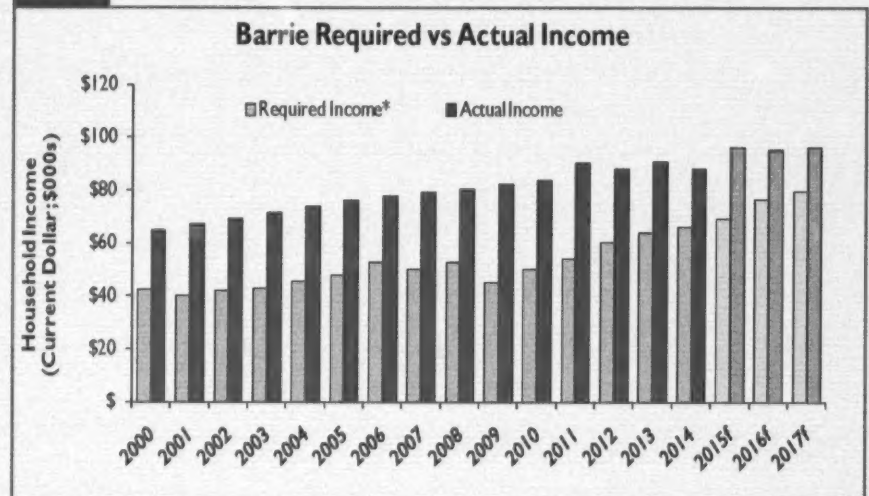
The sales-new-listings ratio (SNLR), a barometer of housing market conditions, will increase further, indicating the market is in sellers' market territory. The tight market conditions will keep pushing prices higher. In the first eight months of 2015, the year-to-date MLS® resale average price increased at a rate over six per cent. With tight market conditions continuing, prices will increase by five per cent in 2016 and two per cent in 2017.

The price differential between the Barrie CMA and the GTA will continue to play a major factor in attracting people to the CMA, but price increases will be a challenge for local first-time homebuyers.

Easing of Rental Market

The rental market in the Barrie CMA is expected to ease and the vacancy rate will exceed two per cent in both 2016 and 2017. The increase in the vacancy rate will be supported by a high number of

Figure 3



Source: CMHC, Statistics Canada, CREA.

*Required income is mortgage carrying costs divided by 0.32 to reflect the usual 32 percent gross debt service ratio. Mortgage carrying costs are calculated on the average MLS® price, a 10 per cent down payment, the fixed five-year mortgage rate and the longest available amortization.

apartment completions. Since the rental market survey in October 2014, 84 new apartments intended for the rental market have been added to supply. Another 108 are under construction and will likely

affect supply in 2016. In addition, 146 condominium apartments have been completed since the last rental market survey. While the owners will move into most of these new condominium apartments, some of

Figure 4



Source: CMHC, adapted from CREA (MLS®)

* Seasonally adjusted. MLS® is a registered trademark of the Canadian Real Estate Association (CREA)

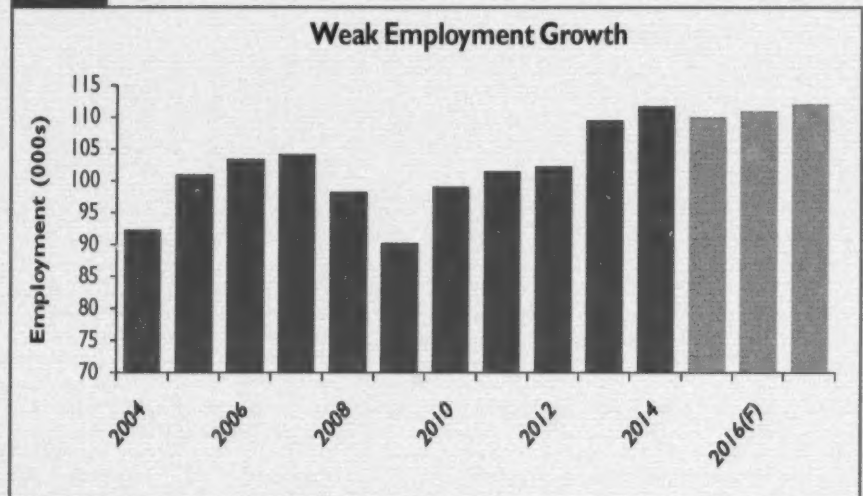
the additional units will be offered for rent as investor-owned apartment condominiums.

The job market for youths is losing ground. Fewer job opportunities for this age group will discourage youth household formation and push youths to stay longer with their parents. Rental affordability is also an issue since rents in Barrie continue to rise. Some renters with permanent jobs and solid credit history will choose to take advantage of low mortgage rates and move into homeownership. With the relatively small stock of purpose-built rental accommodation, the rental market in the Barrie CMA will remain one of the more expensive markets in Canada.

Economic Trends: Modest Growth for Employment

After outperforming in recent years, employment will decline by 1.4 per cent in 2015 and then grow modestly in 2016 and 2017. In recent months, employment has been trending up for trade, manufacturing and particularly for construction. Manufacturing has gained momentum in recent months as an improving US economy is leading to stronger demand for manufactured products. Trade and accommodation and food services will benefit also from this improvement during the forecast horizon since more Americans will cross the Canadian borders, encouraged by the depreciation of the Canadian dollar. Thus, employment is expected to perform well in these sectors. However, the strength here will be offset to some degree by weakness in public administration, finance, insurance and real estate sectors and other services and total employment will increase by less than one per cent in 2016 and 2017. While employment for older age groups will grow,

Figure 5



Source: Statistics Canada, CMHC forecasts

especially for full time jobs, youth employment is losing ground.

The majority of population growth in the Barrie CMA will continue to come from intra-provincial migration. The GTA will represent the largest source of this migration. The migration to the Barrie CMA is forecast to be about 1750 in 2015 and 2000 in 2016.

Mortgage Rate Outlook

Mortgage rates are expected to begin to rise moderately from current levels late in 2016

Mortgage rates are expected to continue trending close to current levels, supporting housing demand. However, consistent with the view of Canadian economic forecasters, CMHC expects interest rates to begin to rise moderately from current levels late in 2016, contributing to a modest slowdown in housing markets.

According to CMHC's base case scenario for 2015, the one-year mortgage rate is expected to be in the 2.60 to 3.30 per cent range, while the

five-year rate is forecast to be within the 4.10 to 5.20 per cent range. For 2016, the one-year mortgage rate is expected to be in the 3.00 to 3.80 per cent range, while the five-year rate is forecast to be within the 4.70 to 6.00 per cent range. For 2017, the one-year mortgage rate is expected to be in the 3.90 to 4.80 per cent range, while the five-year rate is forecast to be within the 5.10 to 6.50 per cent range.

Mortgage rates		
1 Year	Q3 2015	2.90
	Change from Q3 2014	-0.24
	2014	3.14
	2015 (F)	2.60 to 3.30
	2016 (F)	3.00 to 3.80
	2017 (F)	3.90 to 4.80
5 Year	Q3 2015	4.65
	Change from Q3 2014	-0.14
	2014	4.88
	2015 (F)	4.10 to 5.20
	2016 (F)	4.70 to 6.00
	2017 (F)	5.10 to 6.50

Source: Bank of Canada, CMHC Forecast

NOTE: Mortgage rate forecast is based on Q3 2015 data

Trends at a Glance

Key Factors and Their Effects on Housing Starts	
Mortgage Rates	Mortgage rates will begin to rise gradually late in 2016, contributing to moderation in housing demand.
Employment	Positive economic outlook for The United States and Ontario will support the local economic conditions in Barrie CMA through 2016 and 2017. Employment growth specifically full time job creation will continue to support demand for all types of housing.
Income	Average weekly earnings growth showed a strong increase throughout 2015 and will decrease slightly in 2016. This year positive real wage growth will have an impact on the demand for home-ownership.
Population	Net migration will remain positive because of the attractiveness and affordability of Barrie housing market compared to adjacent areas.
Resale Market	Resale market conditions will continue to favour sellers. Relatively strong price growth will shift some demand towards new homes.
Rental market	Rental will remain strong, but the increase in the completed apartments and the available units in the secondary market will balance the market.
Other	Proximity to Great Toronto Area (GTA) and the housing price differential between the GTA and the Barrie CMA will continue to stimulate demand for all types of housing in the Barrie CMA.

Forecasts Risks

Upside risks:

- Stronger than expected domestic demand in the United States that would positively impact Canadian exporters and likely drive greater-than-expected housing demand.

Downside risks:

- A broader slowdown in the economic growth of China will

negatively affect Canada through weaker demand for Canadian exports as well as a downward pressure put on commodity prices.

- While a soft landing in the housing market remains the most likely scenario, near record-high house prices and debt levels relative to income leave households vulnerable to a potential correction. A disorderly unwinding of household sector imbalances, should it materialize, could have

sizable negative effects on the economy.

- A delay in launching of the high density project in Barrie waterfront or the availability of the annexed land from Innisfil will have a downward impact on the overall housing starts.

Forecast Summary Barrie CMA Fall 2015									
	2012	2013	2014	2015(F)	% chg	2016(F)	% chg	2017(F)	% chg
New Home Market									
Starts:									
Single-Detached	474	602	550	560	1.8	650	16.1	700	7.7
Multiples	308	289	598	230	-61.5	360	56.5	430	19.4
Semi-Detached	6	6	6	10	66.7	6	-40.0	6	0.0
Row/Townhouse	179	165	130	120	-7.7	154	28.3	154	0.0
Apartments	123	118	462	100	-78.4	200	100.0	270	35.0
Starts - Total	782	891	1,148	790	-31.2	1,010	27.8	1,130	11.9
Average Price (\$):									
Single-Detached	425,776	456,970	451,548	490,000	8.5	496,000	1.2	497,000	0.2
Median Price (\$):									
Single-Detached	369,990	392,800	412,400	483,000	17.1	490,000	1.4	492,000	0.4
New Housing Price Index (% chg.) (Ontario)	4.1	2.1	1.7	n/a	-	n/a	-	n/a	-
Resale Market									
MLS® Sales	4,576	4,648	4,795	5,150	7.4	5,200	1.0	5,230	0.6
MLS® New Listings	7,506	7,453	7,906	8,200	3.7	8,080	-1.5	8,100	0.2
MLS® Average Price (\$)	299,685	317,883	341,023	362,000	6.2	380,000	5.0	387,000	1.8
Rental Market									
October Vacancy Rate (%)	2.0	3.0	1.6	1.8	0.2	2.2	0.4	2.6	0.4
Two-bedroom Average Rent (October) (\$)	1,037	1,048	1,118	1,135	1.5	1,160	2.2	1,170	0.9
Economic Overview									
Mortgage Rate (1 year) (%)	3.17	3.08	3.14	2.60 to 3.30	-	3.00 to 3.80	-	3.90 to 4.80	-
Mortgage Rate (5 year) (%)	5.27	5.24	4.88	4.10 to 5.20	-	4.70 to 6.00	-	5.10 to 6.50	-
Annual Employment Level	102,300	109,400	111,600	110,000	-1.4	111,000	0.9	112,100	1.0
Employment Growth (%)	0.8	6.9	2.0	-1.4	-	0.9	-	1.0	-
Unemployment rate (%)	8.1	7.1	6.0	7.6	-	7.5	-	7.4	-
Net Migration	1,835	1,818	1,692	1,750	3.4	2,000	14.3	2,150	7.5

MLS® is a registered trademark of the Canadian Real Estate Association (CREA).

Source: CMHC (Starts and Completions Survey, Market Absorption Survey), adapted from Statistics Canada (CANSIM), CREA, Statistics Canada (CANSIM)

NOTE: Rental universe = apartments 3+

DEFINITIONS AND METHODOLOGY

New Home Market

Historical home starts numbers are collected through CMHC's monthly Starts and Completions Survey. Building permits are used to determine construction sites and visits confirm construction stages. A start is defined as the beginning of construction on a building, usually when the concrete has been poured for the whole of the structure's footing, or an equivalent stage where a basement will not be part of the structure.

Single-Detached Start:

The start of a building containing only one dwelling unit, which is completely separated on all sides from any other dwelling or structure.

Semi-Detached Start:

The start of each of the dwellings in a building containing two dwellings located side-by-side, adjoining no other structure and separated by a common or party wall extending from ground to roof.

Row (or Townhouse) Start:

Refers to the commencement of construction on a dwelling unit in a row of three or more attached dwellings separated by a common or party wall extending from ground to roof.

Apartment and other Starts:

Refers to the commencement of construction on all dwellings other than those described above, including structures commonly known as stacked townhouses, duplexes, triplexes, double duplexes and row duplexes.

Average and Median Single Detached Home Prices:

Are estimated using CMHC's Market Absorption Survey, which collects home prices at absorption and measures the rate at which units are sold or rented after they are completed. Dwellings are enumerated each month after a structure is completed until full absorption occurs. The term "absorbed" means that a housing unit is no longer on the market as it has been sold or rented.

New Home Price Indexes:

Changes in the New Home Price Indexes are estimated using annual averages of Statistics Canada's monthly values for New Housing Price Indexes (NHPI).

Resale Market

Historical resale market data in the summary tables of the Housing Market Outlook Reports refers to residential transactions through the Multiple Listings Services (MLS®) as reported by The Canadian Real Estate Association (CREA). In Quebec, this data is obtained by the Centris® listing system via the Quebec Federation of Real Estate Boards.

MLS® (Centris® in the province of Quebec) Sales:

Refers to the total number of sales made through the Multiple Listings Services in a particular year.

MLS® (Centris® in the province of Quebec) Average Price:

Refers to the average annual price of residential transactions through the Multiple Listings Services.

Rental Market

Rental Market vacancy rates and two bedroom rents information is from Canada Mortgage and Housing Corporation's (CMHC's) October Rental Market Survey (RMS). Conducted on a sample basis in all urban areas with populations of 10,000 and more, the RMS targets privately initiated structures with at least three rental units, which have been on the market for at least three months. The survey obtains information from owners, managers, or building superintendents through a combination of telephone interviews and site visits.

Vacancy Rate:

The vacancy rate refers to the average vacancy rate of all apartment bedroom types. A unit is considered vacant if, at the time of the survey, it is physically unoccupied and available for immediate rental.

Two Bedroom Rent:

The rent refers to the average of the actual amount tenants pay for two bedroom apartment units. No adjustments are made for the inclusion or exclusion of amenities and services such as heat, hydro, parking, and hot water.

Economic Overview

Labour Force variables include the Annual Employment Level, Employment Growth, Unemployment Rate. Source: Statistics Canada's Labour Force Survey.

Net Migration:

Sum of net interprovincial (between provinces), net intra-provincial (within provinces), net international (immigration less emigration), returning Canadians and temporary (non-permanent) residents as provided to the CANSIM database by Statistics Canada's Demography Division. Sources of inter-provincial and intra-provincial migration data include a comparison of addresses from individual income tax returns for two consecutive years from Canada Revenue Agency (CRA) taxation records. The migration estimates are modelled, with the tax file results weighted to represent the whole population.

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